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ABSTRACT

This document reports on higher education student financial aid in Virginia describing its current structure, proposing a new philosophy for its organization, and recommending steps for reform. The opening chapter proposes a new philosophy for student aid which assumes shared responsibility for cost between the student and society, consideration of families' ability to contribute to educational costs, primary state responsibility to the less financially secure, loans as a supplemental form of assistance, and aid targeted to meet the needs of different segments of society. Recommendations for implementation of such a philosophy are included. Chapter 2 provides an overview of current financial aid in Virginia noting funding trends, participation rates, federal programs, state programs, and student characteristics. Chapter 3 offers a proposal for a state tuition savings bond program after reviewing state and national plans currently being publicly discussed where parents can either pre-pay their children's future college tuition at current prices or accumulate funds for their higher education expenses. Chapter 4 describes a proposed work study program. Chapter 5 discusses ways to contain higher education costs and prices. Included are 14 tables. (JB)

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RESTRUCTURING FINANCIAL AID IN VIRGINIA

A Study Conducted By The
State Council of Higher Education for Virginia

November, 1987

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CHAPTER I: RESTRUCTURING FINANCIAL AID IN VIRGINIA

Findings and Recommendations of a Financial Aid Study by the State Council of Higher Education

INTRODUCTION

The rising price of higher education to students - and their parents - has received a great deal of media attention during the past two years. Recent press reports note that nationally college tuition and required fees in Fall, 1987, increased at a rate higher than the rate of inflation for the seventh consecutive year. In September, the U. S. House of Representatives' Subcommittee on Postsecondary Education expressed its concern by holding hearings to examine the relationship between the cost of education and the price charged to students, specifically focusing on the role of the states in funding institutions.

As the price that students are charged for higher education continues to increase, states across the nation are reviewing the financial aid programs available to help students and their families meet the cost. Some states are modifying existing programs to ensure that their own aid programs are targeted to the most needy students. Many are seeking new ways to assist students at various income levels. As a result, Tuition Savings Plans,

designed to encourage parents to save funds over time to pay for their children's future education, are under consideration by many states. State supplemental loan programs are proliferating. The number of state-supported work-study programs that emphasize public-service, education, and career-related jobs continues to grow. A few states have become actively involved in the development and delivery of family financial planning and information services to parents of pre-high school children in the hope that such services will help parents to plan for financing their children's education.

The innovative developments among the states are largely the result of the continuing increase in college prices and the declining growth of the federal student aid programs. Excluding Guaranteed Student Loans, the funding provided under the various federal aid programs to all students enrolled in Virginia colleges and universities - public and private - increased from $68 million to $75.5 million (11.10 percent) between 1981-82 and 1985-86, the last year that data are available. Guaranteed Student Loans declined precipitously, going from $89.5 million to approximately $60.7 million (a 32 percent decline), as guaranteed by the State

Education Assistance Authority for students attending Virginia institutions only.[1]

By contrast, the state's Discretionary Student Aid Program, which provides funds for student aid directly in the budgets of the four-year state-supported institutions, increased from $3.4 million to $15 million (335 percent). The state's other large aid program, the Tuition Assistance Grant Program, provides assistance to Virginians attending the state's private institutions. This program grew from $7.43 million to $12.54 million (69 percent) during this time.

Most of the states' efforts to find new financing alternatives for higher education represent an important change in national thinking about the role of student financial aid in the financing of higher education: financial aid can only be a supplement to the resources that a student and his or her family must be expected to provide toward paying for the student's higher education. Many of the new programs are intended to offer self-help opportunities for the student and to assist parents in saving to pay the price of higher education.

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[1]Although the SEAA is the principal guarantor of the loans, it does not guarantee all GSL's in Virginia. Estimates are that another $20 to $30 million annually is guaranteed by other guarantee agencies. No data are available to indicate fluctuations in the volume of those loans.

The piecemeal development of state financial aid initiatives in Virginia has not produced clarity over the years about either the role of the student, the family, and the Commonwealth in paying for higher education or about the mix of programs that most nearly meets the financial needs of Virginia's students. This chapter recommends a philosophy of financial aid and offers a number of proposals both to implement the philosophy and to establish a coherent set of aid programs.

A PROPOSED PHILOSOPHY OF STUDENT AID IN VIRGINIA

Virginia's efforts to provide financial aid to students attending its colleges and universities are based upon a fundamental premise: both society and the individual benefit from her or his higher education. With this premise as a starting point, several general principles follow.

First, <u>responsibility to pay the cost of attending college is shared by the individual and the society to which she or he belongs</u>. Through appropriations made to each institution, the state already provides about two-thirds of the educational cost for every student who attends a public institution. Private

giving, endowment income, general revenues, and some state support provide a subsidy for every student who attends a private institution. Students in either sector are expected to pay the difference between the educational cost of higher education and the amount of the subsidy. This difference is tuition and fees. There are, of course, additional expenses for students who live at college. These costs are considered in determining a student's financial need and in constructing a package of aid to help meet that need.

Second, the assets of students and their families should be considered in determining ability to pay the price of attending college. Except in situations where students can demonstrate total financial independence, parents have a responsibility to support their children's higher education to the greatest possible extent. Students also have a responsibility to contribute earnings from their work toward paying the price of their education.

Third, the primary responsibility of the state is to provide financial aid to students whose personal and family circumstances have not allowed - or do not now enable - them to accumulate assets to pay for their education. The state's assistance programs should supplement and take maximum advantage of the large, need-based financial aid programs of the federal government to

provide access to the greatest possible number of persons within the Commonwealth. The proliferation of non-need based special purpose aid programs in Virginia should be discouraged. Student aid should be focused toward grant and self-help assistance based on each student's financial need.

As a corollary to this third principle, the state has limited responsibility to provide financial aid that is not based on need. Merit scholarships and entitlement grants should be a modest portion of the total financial aid effort. Programs to manage casn flow and achieve other financial planning objectives should be of secondary importance to providing funds that ensure access.

Fourth, student loans are a secondary or supplemental form of financial aid that should be used after family contributions, earnings from work, and grants are determined to be insufficient to pay the price of college. Needy students at advanced levels of study (upperclass undergraduate, graduate, and professional) should be expected to borrow more, while those in their early years of higher education should receive grant help to the extent possible.

Finally, financial aid programs should be targeted as necessary to meet the needs of different segments of the American

population as they seek access to higher education and as society seeks to benefit from their participation in its civic and economic activities. At least some of Virginia's financial aid should go to persons who can attend college only part-time. A major emphasis should be placed upon financial aid for needy minority students.

To implement this philosophy and to move toward having complementary, coordinated aid programs, the Council of Higher Education recommends the proposals that follow.

FINANCIAL AID RECOMMENDATIONS

Financial Aid and the Price of Higher Education

The price of higher education in Virginia and other states has risen sharply over the past few years, generally exceeding the rate of inflation and the growth in personal income. With the leveling of federal aid programs and the dramatic decline in the volume of new Guaranteed Student Loans, even the increased aid dollars provided through state student assistance programs have been insufficient to meet students' financial needs.

In part, the price escalation in higher education is the result of rising institutional costs accumulated during years of relatively stable tuition rates and deferred plant maintenance (the 1970's) and years of rampant inflation and dramatically increased personnel and energy costs (the early 1980's). But the price increases also are attributable to economic upheavals in certain states (Texas, for instance, which is heavily dependent on oil revenues); to direct or indirect indexing revenue practices in a number of states, including Virginia; and to increases in the required fees charged by institutions for such activities as college athletics, debt service, and student health fees.

Because of the financial need of Virginia's students and the use of a revenue policy which requires automatic tuition increases that can increase significantly the financial need of students attending an institution, the Council recommends that

> **The allocations to Virginia's four-year institutions of undergraduate funds under the state's Discretionary Aid Program should be based solely on the financial need of the Virginia residents enrolled in these institutions. Each allocation should be proportional to the financial need of an institution's undergraduate Virginia students and the total need of Virginia students attending all fifteen senior institutions.**

The Discretionary Aid Program, which now totals about $15 million per year, is Virginia's foundation program of state-funded

financial aid. Institutions receive funds which may be used to provide need-based awards to undergraduate students, to offer graduate awards which are need-based or non-need based, to match federal aid programs that require an institutional match, or to augment the institution's student loan program.

Distributing the Discretionary Aid funds only on the basis of demonstrated need not only would ensure that the funds will go to those students who are most affected by the tuition increases, but also would correct for the confusing way in which the funds have been allocated in the past. During the last fifteen years, institutions have sometimes received increases based on student need and at other times have received new funds based on projected tuition increases. Occasionally, all institutions simply have received across-the-board percentage increases. Financial need should in the future be the sole criterion for allocating these funds for undergraduate students.

Once the total appropriation for the Discretionary Aid Program is determined, the funds should be allocated among the fifteen senior institutions and Richard Bland College proportional to the financial need of the undergraduate Virginia students enrolled in each institution. Although allocating the funds on this basis might result in a significant re-distribution of aid dollars under this program, the process is the best way to ensure

that the Commonwealth's major need-based program is targeted to assist the most needy Virginia students.

A review of the average student loan at each senior institution and Richard Bland College reveals a wide disparity in the extent to which students must rely on loans to pay for higher education. The average loan ranges, for full-time Virginia residents, from $171 at Richard Bland College and $446 at Norfolk State University to $1,937 at Virginia Commonwealth University. The average for all students in the public system is $1,221, based on 1985-86 data.

Although some students may have selected loans over work opportunities, the strong dependence of students on loans at a number of institutions reflects a particular absence of grant aid at these institutions. The Council recommends that

> **In allocating undergraduate Discretionary Student Aid to each four-year institution and Richard Bland College, the State should modify the formula used in calculating the financial need of each institution's students in order to have an expected loan average for all institutions. The use of the average will target additional grant aid to institutions whose loan averages exceed the expected average and decrease the grant aid to other institutions whose loan averages are less than the expected average. By phasing in the expected average over several years, institutions will be better able to adjust to the increase or decrease in aid funds.**

Each institution submits to the Council of Higher Education an annual proposed plan for awarding its Discretionary Aid Program funds. The Council must by law approve the use of the funds. If the Council could give institutions more flexibility in using the funds, they might be able to enroll additional black students in Virginia's institutions of higher education. The Council recommends that

> **The Council of Higher Education should be authorized to approve an institution's request to use a portion of its Discretionary Aid Program allocation to provide special scholarships for black students who have financial need. The students may be full-time or part-time. The amount of funds used for this purpose should be related to each institution's state-approved affirmative action objectives for the enrollment of additional black students.**

Since 1978, Virginia has tried several financial aid approaches in an effort to increase the enrollment of black students in its public colleges and universities. None of the programs has achieved the desired results. Institutions have indicated that many black students would like to begin college part-time and, if successful, complete their degrees as full-time students. Modifying the Discretionary Aid Program to encourage recruitment of black students who have financial need would be another indication of Virginia's commitment to increasing the participation of black students in Virginia higher education.

Helping Parents to Meet Their Expected Share of College Costs

Families do not save for higher education expenses for a number of reasons. Some families have little discretionary income and find it impossible to save, at least systematically. Others live beyond their means and not only spend all available income, but also rely heavily on credit arrangements to cover other expenditures. Few families plan ahead in order to develop investment or savings programs to meet the expected price of higher education when their children are old enough to enter college.

With the rising cost of higher education and the leveling of available financial aid dollars, many families might become aware of the need for saving if they were told the amount of funds they will be expected to have saved (based on current income, assets, and other factors) for higher education and if they were offered a convenient mechanism for doing so.

To reassert the expected financial role of the family in meeting college costs and to help a family to pay its expected share, the Council recommends that

Virginia should begin a State Tuition Savings Program to encourage and help parents to save money for their children's higher education; and that

Along with an emphasis on long-term saving for college, parents ought to be told how much money they should be expected to save for college based on their family income, number of dependents, and other relevant factors. This information could be included with the personal income tax information and forms distributed annually to all Virginia residents by the Department of Taxation. Families should be informed that awards of state financial aid funds will reflect expected family savings.

Most states are studying the feasibility of offering a guaranteed tuition plan, an IRA-type plan, or a savings bond plan to encourage financial planning and to assist parents in paying for higher education. A guaranteed tuition plan enables a family to make a one-time payment to a state and receive a guarantee that, through the state's investment of the pooled funds of all families participating in the program, a child's undergraduate tuition costs will be covered. This plan has considerable financial risk for a state and potentially is not an attractive investment for families who enter a state's program when large pay-outs have begun from the pool of funds. It also cannot include private colleges because the state has no control over private college tuition.

The IRA-type plan has limited savings potential and results in a loss of tax revenue to a state. Under it, a family sets aside a specified sum (usually up to $2,000 each year) for educational expenses. The amount is not subject to state income taxes unless

the proceeds are used for a purpose other than to pay higher education costs.

The savings program is available to all families, is usually tax-exempt, and results in no lost revenue to a state. Under it, parents and others purchase bonds sold by the state and let the interest accumulate to pay for a child's education. The proceeds may be used to cover the costs at any institution, in-state or out-of-state, but sometimes a bonus is provided for attendance at an in-state institution.

Under the arrangement proposed for Virginia, a portion of the tax-exempt bonds which are issued by the Commonwealth to finance higher education and other state projects would be designated for use under this program. The bonds would be placed in a central unit investment trust and shares in the trust would be sold to Virginia residents. (A unit investment trust is a fund with a portfolio of bonds that have a fixed rate of return after a specific number of years.) At the appropriate time, the holders of the shares would redeem them to help finance the attendance of their children at Virginia public or private colleges and universities, or to send their children to out-of-state institutions.

The key to a successful tuition savings program is to let purchasers obtain shares in low denominations and to make them readily available to all residents through brokerage institutions as well as such special arrangements as payroll deduction plans. Third parties (relatives, friends of students) also ought to have access to the shares in order to purchase them on behalf of future students.

A state-sponsored tuition savings program might not be attractive to parents who are sophisticated investors and move funds periodically among various investment the options to benefit from changing market conditions. But the program should be attractive to the many other parents who understand the need to save for college expenses but need a structured, convenient way to do it. At the very least, the program will be successful if it increases the number of families who save money for their children's education regardless of how they choose to do so.

The imprecision of the national need-analysis methodology can reward families who could have saved money for college expenses and did not and can penalize families with fewer resources who did manage to save. As a result, a family should be told how much it ought to be able to save and that its expected savings will be taken into account in determining a child's award under the state aid programs.

This recommendation could be implemented by the State Department of Taxation. Virginia taxpayers claiming a new child as a dependent automatically could receive a personalized analysis showing the projected cost of higher education at the time the child reaches college age. The chart would indicate the expected savings based on current income level, assuming no change in the number of dependents and other variables identified on the tax return. The chart would be updated each year to reflect changes in the anticipated cost of higher education.

Helping Students Meet College Costs

As parents assume greater responsibility for paying college costs, many students must help themselves by working. As they do so, institutions ought to be able to provide additional jobs to meet the demand.

Because of static federal funding for student aid, including work-study, and the rising price of higher education, many students increasingly rely on loans to meet college costs. In 1979-80, loans comprised 29 percent of the total aid received by Virginia's typical, need-based aid recipient. By 1985-86, loans had increased to 40 percent of the total aid package. Work-study

awards during this same period declined from 26 percent of the aid package in 1979 to 21 percent in 1985.

For several years, students' heavy reliance on loans to finance their educations has suggested a need to restore balance between work and loans. With recent changes in the federal Guaranteed Student Loan program, particularly the requirement that the loan be based entirely on need and the prohibition against using it to cover the family's expected contribution, the imbalance will begin to correct itself, because fewer students will be eligible for new loans. Students will have to rely increasingly on work opportunities to finance their educations.

A parallel national trend also will lead to a new emphasis on work. In recent years, higher education and the nation's public service needs have become more closely linked. Last year's revision of the federal Higher Education Act allows the use of some student aid funds for students to perform community service activities. Bills now in Congress would require public service of most students receiving federal student aid. In short, there is growing agreement that students should have an opportunity to contribute to the public service needs of the nation. The Council of Higher Education recommends that

Virginia's statutorily established but unfunded need-based work-study program should be funded for 1988-90. The program, which affords a unique opportunity for leveraging the state funds provided with private contributions, will provide new jobs with an emphasis on work in the public service sector. For example, participants could be teachers' aides in the public schools, assistants in correctional institutions and hospitals, and workers in state parks and recreational facilities.

Virginia's work-study program was enacted in 1983 but has not yet received an appropriation. The funding provided would be a good investment: a $2 million appropriation would produce about $3.5 million in total funds for students.

As noted earlier, eligibility for federal student loans has been significantly reduced. About 25 percent of all borrowers may have been eliminated this fall from loan eligibility as a result of changes in the federal Guaranteed Student Loan Program (GSLP). This action may cause significant short-term financial disruptions for families who have come to depend on the GSL Program to help meet college costs.

The 1987 General Assembly enacted legislation permitting the State Education Assistance Authority to set up a supplemental loan program with the approval of the Governor. Following several months of planning, SEAA's proposal for the program was approved by Governor Gerald L. Baliles in early October. The SEAA will be

able to offer loans under the program perhaps as early as the second semester of the 1987-88 academic year.

The supplemental loan program in part will protect students and their families from the unpredictable changes in loan availability under the Guaranteed Student Loan Program. It also will be a last resort program that makes loans to students unable to obtain sufficient funds through the GSL Program or other loan programs available from commercial lending institutions. If parents and students are to be expected to meet their full share of college costs, they must be able to plan ahead with some assurance that loan funds will be available.

A portion of the SEAA's reserve fund for the GSL program will be used to implement the supplemental loan program. The Virginia Education Loan Authority initially will draw upon its reserve funds to provide the loans to students participating in the program. Both agencies are to be commended for using their funds for this program. The agencies have many millions of dollars which have accumulated in their reserve funds over the years and which might also be used as seed money or support for other financial aid programs to assist needy students. Some states have begun to use the accumulated funds of their GSL agencies for this purpose. Although there are legal considerations which must be

taken into account in tapping these funds, the Council recommends that

> **Virginia's Secretary of Education should explore with the SEAA and the VELA the possibility of using a portion of their Guaranteed Loan reserve and other accumulated funds to help support the state's various student financial aid programs.**

Supplementing Need-Based Grant Aid

A survey of Virginia's institutional aid officers has identified several segments of the population whose family finances and personal circumstances limit college access. They include such individuals as single heads of households with young children. Most are women and many are black, handicapped or educationally disadvantaged. Few have access to parental support. Most depend instead on their own job earnings or public assistance to support themselves and their children. Parental duties and work often prevent enrollment for full-time study, and part-time enrollment is discouraged by the lack of grant assistance to finance part-time study and child-care services.

Another group in need of grant assistance, according to the survey, are black males. This group is characterized by high levels of unemployment or underemployment. Some are married and struggling to support families. More of them could benefit from

higher education, but are reluctant or unable to borrow funds in order to enroll. Educational disadvantages make it almost impossible for them to participate in work-study if they enroll full-time.

Making higher education accessible to persons in these groups and to others like them is essential if they are to become productive and independent members of society. This will require making grant aid available to them. The Council of Higher Education recommends that

> **Part-time students should be eligible to participate in the statewide need-based College Scholarship Assistance Program.**
>
> **The maximum award permitted under the CSAP should be increased to $2,000 in order to let institutions give larger grant awards. Financial need under this program should be redefined as "total cost minus expected family contribution and total gift aid."**

Currently, under the last-resort concept that guides this program, financial need is defined as the need remaining after all aid, including loans and work study, is taken into account. This narrow definition of need often prevents the program from assisting the students identified in the survey as having special access problems.

The Council also recommends that

An additional $2 million per year should be appropriated for the College Scholarship Assistance Program, the statewide need-based grant program.

The new funds are needed if part-time and non-traditional students are to be assisted. The CSAP is Virginia's only statewide aid program that assists students in both public and private institutions. Among the publics, it is the only state-funded financial aid that is awarded to students attending community colleges. Funding for the CSAP has remained static since 1983: approximately $2.8 million in state funds and $1.6 million in federal matching funds under the State Student Incentive Grant Program.

Providing Non-Need-Based Aid

Virginia's proposed principles of student financial aid commit the Commonwealth to a limited responsibility to provide financial aid that is not based on need. Currently, there are three major aid programs that provide non-need-based aid: the Tuition Assistance Grant Program, the Virginia Student Transfer Grant Program, and the Virginia Scholars Program.

The Tuition Assistance Grant Program helps to reduce the tuition cost for Virginians who choose to attend the

Commonwealth's private institutions. In the 1987-88 academic year, each Virginia undergraduate or graduate student attending one of these institutions and enrolled in a program other than religious training or theological education is eligible for a grant of $1,250. Over $15 million currently is appropriated annually for the program.

The private college association, the Council of Independent Colleges in Virginia (CICV), recently recommended that the Council of Higher Education request sufficient funding for the program to enable the grant to go to $1,500 in each year of the 1988-90 biennium. The Council has endorsed and submitted this request to the Governor and the General Assembly for consideration in the 1988 session of the General Assembly. In submitting the request, the Council also suggested that once funding of $1,500 per student is provided, the Council and the private institutions should begin planning to change TAGP to include a base amount for each eligible student with remaining funds used to address student financial need. The Council recommends that

TAG Program awards in the 1988-90 biennium should be $1,500 per student. When this level of per-student funding is achieved, the Council of Higher Education and the Council of Independent Colleges in Virginia should begin planning to change TAGP to include a base amount for each eligible student and to use the remaining funds to address financial need.

The Virginia Student Transfer Grant Program provides full tuition and fees for certain students who transfer to the four-year public institutions after completing their work at the two-year public institutions. To receive an award, a black student must transfer to a traditionally white senior institution while a white student must transfer to one of the Commonwealth's two traditionally black institutions. Approximately $1.5 million is provided annually for the program.

In the past, any student transferring to an appropriate institution could receive this award. Consistent with the principle of providing almost all undergraduate aid on the basis of financial need, the Council of Higher Education recommends that

In the 1988-90 biennium, all awards made under the Virginia Student Transfer Grant Program should be need-based.

CONCLUSION

This chapter has proposed a philosophy for student aid in Virginia and offered a number of recommendations to support the philosophy. The recommendations are intended to yield a more coherent set of programs that provide financial aid based on the financial need of the individual student. The recommendations also allow for a limited amount of aid based on academic excellence or other criteria important to the Commonwealth.

Implementation of these recommendations implies that other special purpose aid programs that have developed over the years should be reviewed and terminated, if possible. Exceptions are those programs that primarily assist graduate students. These programs have not been discussed in this study, which has concentrated on undergraduate financial aid.

The chapters which follow present information about the various aid programs in Virginia, elaborate on some of the issues discussed in this paper, and present more detail about the Virginia Work-Study Program and the proposed Virginia Tuition Savings Program.

CHAPTER II: FINANCIAL AID IN VIRGINIA: AN OVERVIEW

INTRODUCTION

In the 1985-86 academic year, undergraduate and graduate students enrolled in Virginia's public and private institutions of higher education received over $257 million in all forms of student aid. Of this total, over $136 million came from the various federal aid programs and the Guaranteed Student Loan Program and $35 million resulted from state programs (Virginia's aid programs and those of other states that supported their residents' studies in the Commonwealth). The institutions provided another $83 million in student aid, mostly from private sources (Table 1). The distribution of the aid between undergraduate and graduate students is shown in Table 2.

Table 1 also compares the student aid available in Virginia in 1981-82 and 1985-86 (the last year for which complete data are available) by source and sector. On balance, the increase in the federal government's direct support for student aid (Pell grants and the campus-based aid programs) between 1981-82 and 1985-86 was relatively small (11 percent). The federal Guaranteed Student

FINANCIAL AID FUNDS BY SOURCE AND SECTOR
1981-82 AND 1985-86
TABLE 1

SECTOR AND AID SOURCE	1981-82	1985-86	DIFFERENCE	% CHANGE
PUBLIC FOUR-YEAR				
INSTITUTIONAL	$31,348,498	$53,987,956	$22,639,458	72.22%
STATE [1]	7,759,906	20,144,413	12,384,507	159.60%
INST & STATE	39,108,404	74,132,369	35,023,965	89.56%
FEDERAL [2]	35,646,198	37,678,232	2,032,034	5.70%
SUBTOTAL	74,754,602	111,810,601	37,055,999	49.57%
VIRGINIA GSL [3]	64,219,686	43,990,651	(20,229,035)	-31.50%
TOTAL	$138,974,288	$155,801,252	$16,826,964	12.11%
PUBLIC TWO-YEAR				
INSTITUTIONAL	$1,470,994	$1,485,188	$14,194	0.96%
STATE [1]	545,974	1,018,064	472,090	86.47%
INST & STATE	2,016,968	2,503,252	486,284	24.11%
FEDERAL [2]	14,484,261	16,527,980	2,043,719	14.11%
SUBTOTAL	16,501,229	19,031,232	2,530,003	15.33%
VIRGINIA GSL [3]	4,914,718	4,923,662	8,944	0.18%
TOTAL	$21,415,947	$23,954,894	$2,538,947	11.86%
ALL PRIVATE				
INSTITUTIONAL	$16,425,838	$27,426,317	$11,000,479	66.97%
STATE [1]	8,626,377	16,888,891	8,262,514	95.78%
INST & STATE	25,052,215	44,315,208	19,262,993	76.89%
FEDERAL [2]	17,870,301	21,340,774	3,470,473	19.42%
SUBTOTAL	42,922,516	65,655,982	22,733,466	52.96%
VIRGINIA GSL [3]	20,378,806	11,884,288	(8,494,518)	-41.68%
TOTAL	$63,301,322	$77,540,270	$14,238,948	22.49%
ALL INSTITUTIONS				
INSTITUTIONAL	$49,245,330	$82,899,461	$33,654,131	68.34%
STATE [1]	16,932,257	38,051,368	21,119,111	124.73%
INST & STATE	66,177,387	120,950,829	54,773,242	82.77%
FEDERAL [2]	68,000,760	75,346,986	7,346,226	11.10%
SUBTOTAL	134,178,347	196,497,815	62,319,468	46.45%
VIRGINIA GSL [3]	89,513,210	60,798,601	(28,714,609)	-32.08%
TOTAL	$223,691,357	$257,296,416	$33,604,859	15.02%

[1] Includes an estimated $1,047,281 of aid awarded by states outside Virginia.
[2] Excludes Guaranteed Student Loans (GSL) which are noted separately.
[3] GSL totals reported by the SEAA. Non-SEAA-guaranteed GSL's not included.
DATA SOURCE : Federal FISAP Report. Totals include need and non-need-based aid awarded to both graduate and undergraduate students.

SUMMARY OF FINANCIAL AID AWARDED TO GRADUATE AND UNDERGRADUATE STUDENTS AT VIRGINIA'S PUBLIC AND PRIVATE NON-PROFIT COLLEGES AND UNIVERSITIES IN 1985-86

TABLE 2

SECTOR & AID SOURCE	TOTAL AID	UNDERGRADUATE	GRADUATE	% UNDERGRADUATE
PUBLIC FOUR-YEAR				
INSTITUTIONAL	$53,987,956	$38,631,215	$15,356,741	72%
PUBLIC FOUR-YEAR				
INSTITUTIONAL	$53,987,956	$38,631,215	$15,356,741	72%
STATE [1]	20,144,413	15,766,244	4,378,169	78%
INST & STATE	74,132,369	54,397,459	19,734,910	73%
FEDERAL [2]	37,678,232	36,128,618	1,549,614	96%
SUBTOTAL	111,810,601	90,526,077	21,284,524	81%
VIRGINIA GSL [3]	43,990,651	30,236,965	13,753,686	69%
TOTAL	$155,801,252	$120,763,042	$35,038,210	78%
PUBLIC TWO-YEAR				
INSTITUTIONAL	$1,485,188	$1,485,188	$0	100%
STATE [1]	1,018,064	1,018,064	0	100%
INST & STATE	2,503,252	2,503,252	0	100%
FEDERAL [2]	16,527,980	16,527,980	0	100%
SUBTOTAL	19,031,232	19,031,232	0	100%
VIRGINIA GSL [3]	4,923,662	4,923,662	0	100%
TOTAL	$23,954,894	$23,954,894	$0	100%
PRIVATE				
INSTITUTIONAL	$27,426,317	$24,247,627	$3,178,690	88%
STATE [1]	16,888,891	14,500,005	2,388,886	86%
INST & STATE	44,315,208	38,747,632	5,567,576	87%
FEDERAL [2]	21,340,774	21,017,587	323,187	98%
SUBTOTAL	65,655,982	59,765,219	5,890,763	91%
VIRGINIA GSL [3]	11,884,288	9,717,225	2,167,063	82%
TOTAL	$77,540,270	$69,482,444	$8,057,826	90%
ALL INSTITUTIONS				
INSTITUTIONAL	$82,899,461	$64,364,030	$18,535,431	78%
STATE [1]	38,051,368	31,284,313	6,767,055	82%
INST & STATE	120,950,829	95,648,343	25,302,486	79%
FEDERAL [2]	75,346,986	73,674,185	1,872,801	98%
SUBTOTAL	196,497,815	169,322,528	27,175,287	86%
VIRGINIA GSL [3]	60,798,601	44,877,852	15,920,749	74%
TOTAL	$257,296,416	$214,200,380	$43,096,036	83%

[1] Includes an estimated $1,047,281 of aid awarded by states outside Virginia.
[2] Excludes Guaranteed Student Loans (GSL) which are noted separately.
[3] GSL totals reported by the SEAA. Non-SEAA-guaranteed GSL's not included.
DATA SOURCE : Federal FISAP Report. Undergraduate-Graduate portions are estimated for some programs using data provided in other reports, especially the SCHEV S-6. Totals include need and non-need-based aid for graduate and undergraduate students.

Loan Program actually decreased 32 percent in new-loan volume, at least for those loans guaranteed through the State Education Assistance Authority.[2] By contrast, state aid more than doubled, and institutional aid increased 68 percent during this period.

About 70 percent ($179.8 million) of the total student aid in 1985-86 went to students attending the Commonwealth's 39 state-supported institutions. Approximately 61 percent ($109.3 million) of the funds was awarded based on the financial need of the recipients (Table 3). Virginia residents received about 75 percent ($134 million) of the funds (Table 4).

FEDERAL STUDENT AID PROGRAMS

The federal student aid programs available at Virginia's 64 institutions during the 1985-86 academic year were Pell grants; Supplemental Educational Opportunity Grants (SEOG); National Direct Student Loans (NDSL), since re-named Perkins Loans; College Work-Study Program (CWSP) awards; and Guaranteed Student Loans (GSL). Pell grants, formerly Basic Educational Opportunity Grants, are need-based grants for undergraduate students.

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[2]As noted in Chapter I, students attending colleges and universities in Virginia may receive as much as $20 million annually in Guaranteed Student Loans through guarantee agencies other than Virginia's State Education Assistance Authority.

SUMMARY OF NEED-BASED AND NON-NEED-BASED FINANCIAL AID AWARDED TO GRADUATE AND UNDER-GRADUATE STUDENTS AT VIRGINIA'S PUBLIC COLLEGES AND UNIVERSITIES IN 1985-86

TABLE I

SECTOR & AID SOURCE	TOTAL AID	NEED-BASED	NON-NEED-BASED	% NEED-BASED
PUBLIC TBI'S				
INSTITUTIONAL	$2,005,656	$1,223,217	$782,439	61%
PUBLIC TBI'S				
INSTITUTIONAL	$2,005,656	$1,223,217	$782,439	61%
STATE [1]	3,399,975	3,206,488	193,487	94%
INST & STATE	5,405,631	4,429,705	975,926	82%
FEDERAL [2]	9,808,126	9,808,126	0	100%
SUBTOTAL	15,213,757	14,237,831	975,926	94%
VIRGINIA GSL [3]	2,648,826	741,671	1,907,155	28%
TOTAL	$17,862,583	$14,979,502	$2,883,081	84%
PUBLIC TWI'S				
INSTITUTIONAL	$51,982,300	$16,091,168	$35,891,132	31%
STATE [1]	16,744,438	13,190,562	3,553,876	79%
INST & STATE	68,726,738	29,281,730	39,445,008	43%
FEDERAL [2]	27,870,106	27,824,909	45,197	100%
SUBTOTAL	96,596,844	57,106,639	39,490,205	59%
VIRGINIA GSL [3]	41,341,825	15,296,475	26,045,350	37%
TOTAL	$137,938,669	$72,403,114	$65,535,555	52%
PUBLIC TWO YR				
INSTITUTIONAL	$1,485,188	$1,485,188	$0	100%
STATE [1]	1,018,064	1,018,064	0	100%
INST & STATE	2,503,252	2,503,252	0	100%
FEDERAL [2]	16,527,980	16,527,980	0	100%
SUBTOTAL	19,031,232	19,031,232	0	100%
VIRGINIA GSL [3]	4,923,662	2,855,724	2,067,938	58%
TOTAL	$23,954,894	$21,886,956	$2,067,938	91%
ALL INSTITUTIONS				
INSTITUTIONAL	$55,473,144	$18,799,573	$36,673,571	34%
STATE [1]	21,162,477	17,415,114	3,747,363	82%
INST & STATE	76,635,621	36,214,687	40,420,934	47%
FEDERAL [2]	54,206,212	54,161,015	45,197	100%
SUBTOTAL	130,841,833	90,375,702	40,466,131	69%
VIRGINIA GSL [3]	48,914,313	18,893,870	30,020,443	39%
TOTAL	$179,756,146	$109,269,572	$70,486,574	61%

[1] Includes an estimated $800,000 of aid awarded by states outside Virginia.
[2] Excludes Guaranteed Student Loans (GSL) which are noted separately.
[3] GSL totals reported by the SEAA. Non-SEAA-guaranteed GSL's not included.
DATA SOURCE : Federal FISAP Report. Division of aid into need and non-need-based portions estimated for some programs based on other reports. GSL is now entirely need-based. Totals include need and non-need-based aid for graduate and undergraduate students.

SUMMARY OF FINANCIAL AID AWARDED TO IN-STATE AND OUT-OF STATE GRADUATE AND UNDERGRADUATE STUDENTS AT VIRGINIA'S PUBLIC COLLEGES UNIVERSITIES IN 1985-86

TABLE 4

SECTOR & AID SOURCE	TOTAL AID	VA RESIDENTS	NON-VA RESIDENTS	% TO VIRGINIANS
PUBLIC TBI'S				
INSTITUTIONAL	$2,005,656	$1,123,167	$882,489	56%
PUBLIC TBI'S				
INSTITUTIONAL	$2,005,656	$1,123,167	$882,489	56%
STATE [1]	3,399,975	3,265,960	134,015	96%
INST & STATE	5,405,631	4,389,127	1,016,504	81%
FEDERAL [2]	9,808,126	6,096,625	3,711,502	62%
SUBTOTAL	15,213,757	10,485,752	4,728,005	69%
VIRGINIA GSL [3]	2,648,826	1,483,081	1,165,745	56%
TOTAL	$17,862,583	$11,968,833	$5,893,750	67%
PUBLIC TWI'S				
INSTITUTIONAL	$51,982,300	$30,149,734	$21,832,566	58%
STATE [1]	16,744,438	14,689,369	2,055,070	88%
INST & STATE	68,726,738	44,839,103	23,887,635	65%
FEDERAL [2]	27,870,106	21,770,322	6,099,785	78%
SUBTOTAL	96,596,844	66,609,424	29,987,420	69%
VIRGINIA GSL [3]	41,341,825	32,016,120	9,325,705	77%
TOTAL	$137,938,669	$98,625,544	$39,313,125	71%
PUBLIC TWO YR				
INSTITUTIONAL	$1,485,188	$1,455,485	$29,703	98%
STATE [1]	1,018,064	1,018,064	0	100%
INST & STATE	2,503,252	2,473,549	29,703	99%
FEDERAL [2]	16,327,980	16,197,085	330,895	98%
SUBTOTAL	19,031,232	18,670,634	360,598	98%
VIRGINIA GSL [3]	4,923,662	4,726,799	196,863	96%
TOTAL	$23,954,894	$23,397,433	$557,461	98%
ALL INSTITUTIONS				
INSTITUTIONAL	$55,473,144	$32,728,386	$22,744,758	59%
STATE [1]	21,162,477	18,973,393	2,189,085	90%
INST & STATE	76,635,621	51,701,779	24,933,842	67%
FEDERAL [2]	54,206,212	44,064,031	10,142,181	81%
SUBTOTAL	130,841,833	95,765,810	35,076,023	73%
VIRGINIA GSL [3]	48,914,313	38,226,000	10,688,313	78%
TOTAL	$179,756,146	$133,991,809	$45,764,337	75%

[1] Includes an estimated $800,000 of aid awarded by states outside Virginia.

[2] Excludes Guaranteed Student Loans (GSL) which are noted separately.

[3] GSL totals reported by the SEAA. Non-SEAA-guaranteed GSL's not included.

DATA SOURCE : federal FISAP Report. Division of aid into in-state and out-of-state portions estimated for some programs based on other reports. GSL is now entirely need-based. Totals include need and non-need-based aid for graduate and undergraduate students.

Eligible students are entitled to receive them; students apply directly to the federal government for the awards. In 1985-86, students attending Virginia institutions received over $45 million in Pell funds.

The Supplemental Educational Opportunity Grant (SEOG) is a program of grant assistance for students with financial need. The SEOG is one of three campus-based federal aid programs; the others are the Perkins Loan and College Work-Study programs. Under all three programs, the federal government makes allocations of funds directly to institutions, which then decide how to combine awards with other aid funds to create each student's aid package. In 1985-86 Virginia students received approximately $6.6 million in SEOG funds.

The Carl D. Perkins Loan Program, formerly the National Direct Student Loan Program, offers need-based loans to undergraduate and graduate students. The loans carry an interest rate of 4 percent. Although there is a loan maximum per student, most students are unable to borrow to the limit because of the minimal federal funding provided for the program. An institution also uses funds repaid by students to make loans; thus, the program actually is a revolving loan fund. The expenditures under the Perkins Program for students in Virginia institutions totaled approximately $10.8 million in 1985.

The College Work-Study Program (CWSP) uses federal, institutional, and private funds to provide student employment in on and off-campus situations. The 1985-86 expenditure for CWSP among Virginia college students slightly exceeded $12 million.

Guaranteed Student Loans represent the largest federal financial aid program. Under the GSL program, loans made to students by participating private lending institutions (banks, credit unions, savings and loan associations) are insured against default. Virginia has a direct lender in the Virginia Education Loan Authority (V.E.L.A.). The majority of loans made by lenders in Virginia are guaranteed initially by the State Education Assistance Authority (S.E.A.A.) and re-insured by the federal government. The SEAA guaranteed approximately $60.8 million in GSLs in 1985-86. Approximately one-fourth of the GSLs in Virginia are from out-of-state lenders and guarantee agencies; therefore, total loan volume in that year approached $80 million.

The GSL program grew rapidly from 1979-80 through 1981-82 because the Middle Income Student Assistance Act eliminated income restrictions so that virtually any student could obtain a loan. Budget restrictions thereafter required a student to demonstrate need for the loan if the student's - or family's - income exceeded

$30,000. Since reauthorization of the Higher Education Act last year, all students must demonstrate financial need to be eligible for loans.

Total federal direct aid in Virginia was $68,000,760 in 1981-82 and $75,546,986 in 1985-86. In constant 1981 dollars, federal student aid, excluding Guaranteed Loans, decreased 4.92 percent. Students at public four-year institutions had a 9.53 percent decrease, while students at public two-year colleges had a 2.34 percent decrease and those at private colleges had a decline in constant dollars of 2.21 percent. The change in constant dollars between 1981-82 and 1985-86 is shown in Table 5.

The small growth in federal aid funds during this time resulted, in part, from the federal government's decreased emphasis on domestic spending due to budget constraints. The relatively static funding to colleges and universities, especially in the Pell Grant program, also was a product of the increased funding provided to students attending proprietary (for-profit) institutions. Pell Grants funds to students in this sector of postsecondary education in Virginia increased 87.8 percent, according to Table 6. The table, which comes from the Southern Regional Education Board, provides insight into the distribution of these funds nationally as well as in Virginia.

FINANCIAL AID FUNDS BY SOURCE AND SECTOR: 1981-82 AND 1985-86
(IN CONSTANT 1981 DOLLARS[4])
TABLE 5

SECTOR AND AID SOURCE	1981-82	1985 $ IN 1981 $	DIFFERENCE IN CONSTANT $	% CHANGE
PUBLIC FOUR-YEAR				
INSTITUTIONAL	$31,348,498	$46,206,741	$14,858,243	47.40%
STATE [1]	7,759,906	17,241,024	9,481,118	122.18%
INST & STATE	39,108,404	63,447,765	24,339,361	62.24%
FEDERAL [2]	35,646,198	32,247,717	(3,398,481)	-9.53%
SUBTOTAL	74,754,602	95,695,482	20,940,880	28.01%
VIRGINIA GSL [3]	64,219,686	37,650,335	(26,569,351)	-41.37%
TOTAL	$138,974,288	$133,345,817	($5,628,471)	-4.05%
PUBLIC TWO-YEAR				
INSTITUTIONAL	$1,470,994	$1,271,130	($199,864)	-13.59%
STATE [1]	545,974	871,332	325,358	59.59%
INST & STATE	2,016,968	2,142,461	125,493	6.22%
FEDERAL [2]	14,484,261	14,145,823	(338,438)	-2.34%
SUBTOTAL	16,501,229	16,288,285	(212,944)	-1.29%
VIRGINIA GSL [3]	4,914,718	4,214,021	(700,697)	-14.26%
TOTAL	$21,415,947	$20,502,306	($913,641)	-4.27%
ALL PRIVATE				
INSTITUTIONAL	$16,425,838	$23,473,397	$7,047,559	42.91%
STATE [1]	8,626,377	14,454,717	5,828,340	67.56%
INST & STATE	25,052,215	37,928,114	12,875,899	51.40%
FEDERAL [2]	17,870,301	18,264,955	394,654	2.21%
SUBTOTAL	42,922,516	56,193,069	13,270,553	30.92%
VIRGINIA GSL [3]	20,378,806	10,171,421	(10,207,385)	-50.09%
TOTAL	$63,301,322	$66,364,490	$3,063,168	4.84%
ALL INSTITUTIONS				
INSTITUTIONAL	$49,245,330	$70,951,268	$21,705,938	44.08%
STATE [1]	16,932,257	32,567,073	15,634,816	92.34%
INST & STATE	66,177,587	103,518,340	37,340,753	56.43%
FEDERAL [2]	68,000,760	64,658,495	(3,342,265)	-4.92%
SUBTOTAL	134,178,347	168,176,836	33,998,489	25.34%
VIRGINIA GSL [3]	89,513,210	52,035,776	(37,477,433)	-41.87%
TOTAL	$223,691,557	$220,212,612	($3,478,944)	-1.56%

[1] Includes an estimated $1,047,281 of aid awarded by states outside Virginia.
[2] Excludes Guaranteed Student Loans (GSL) which are noted separately.
[3] GSL totals reported by the SEAA. Non-SEAA-guaranteed GSL's not included.
[4] Constant 1981 dollars = 1985 dollars divided by 1.1684. SOURCE: Department of Planning and Budget; based on Wharton econometrics method.

TABLE 6
CHANGES IN PELL GRANT ALLOCATIONS BY TYPE OF INSTITUTION 1980 - 1984

REGION	PUBLIC FUNDING	PERCENT CHANGE 1980-84	PRIVATE FUNDING	PERCENT CHANGE 1980-84	PROPRIETARY FUNDING	PERCENT CHANGE 1980-84	TOTAL
UNITED STATES ----	$1,530,703	4.2%	$1,464,536	134.7%	$887,456	259.9%	3,882,695
SREB STATES ------	447,988	2.6%	145,680	-2.2%	123,069	86.9%	716,737
SOUTH AS A PERCENT OF U.S. --	29.3%		9.9%		13.9%		27.9%
ALABAMA ----------	$37,468	8.1%	$11,291	10.4%	$7,709	56.8%	56,468
ARKANSAS ---------	19,209	8.1%	4,219	-2.9%	4,852	78.5%	28,280
FLORIDA ----------	47,584	-16.0%	24,271	9.9%	22,850	157.6%	94,705
GEORGIA ----------	24,506	-11.9%	11,799	-17.8%	9,461	129.1%	45,766
KENTUCKY ---------	25,944	26.7%	8,567	11.5%	11,783	166.6%	46,294
LOUISIANA --------	33,081	-1.9%	4,983	-10.2%	8,810	42.3%	46,874
MARYLAND ---------	27,295	6.2%	3,790	-40.9%	4,403	82.1%	35,488
MISSISSIPPI ------	34,378	43.5%	4,713	7.3%	1,916	50.4%	41,007
NORTH CAROLINA ---	37,422	-2.4%	15,666	-0.8%	4,714	23.4%	57,802
SOUTH CAROLINA ---	21,693	0.4%	9,026	-34.8%	5,694	51.4%	36,413
TENNESSEE --------	30,348	13.9%	16,827	40.9%	11,699	61.2%	58,874
TEXAS ------------	66,499	-8.4%	17,888	-13.3%	15,889	65.4%	100,276
VIRGINIA ---------	29,880	6.0%	9,534	4.5%	8,954	87.8%	48,368
WEST VIRGINIA ----	12,683	47.4%	3,106	20.5%	4335	156.9%	20,124

NOTES: IN SOME INSTANCES, THE SUM OF ALLOCATIONS TO PUBLIC, PRIVATE, AND PROPRIETARY INSTITUTIONS DOES NOT EQUAL THE TOTAL ALLOCATION DUE TO THE FAILURE OF SOME INSTITUTIONS TO REPORT THEIR TYPE OF CONTROL.

SOURCE: SREB, FROM U.S. OFFICE OF EDUCATION, OFFICE OF STUDENT FINANCIAL ASSISTANCE, "CONGRESSIONAL NOTIFICATION REPORT, 1984" ADVANCE DATA

VIRGINIA STUDENT AID PROGRAMS

Virginia students enrolled in the state's public and private institutions of higher education in the 1985-86 academic year received more than $37 million through a number of diverse student aid programs funded by the Commonwealth. Table 7 lists the 20 programs established by statute, including those created by language in the state's biennial Appropriations Act, with funding levels and actual expenditures in the 1985-86 academic year.

Discretionary Aid Program funds, the largest single source of need-based funds appropriated by the Commonwealth for student financial assistance, are provided to the 15 senior state-supported institutions and Richard Bland College. In 1985-86 more than $14.8 million was appropriated. Discretionary funds may be used for need-based grants to undergraduates or for need or non-need-based assistantships and fellowships for graduate students. They also can be used to augment an institution's Student Loan Fund and to provide a required match for the federal student aid programs. (The Perkins Loan and College Work-Study programs, for instance, require institutional matching funds).

Four statewide grant and scholarship programs noted in Table 7 (Tuition Assistance Grant, College Scholarship Assistance, Transfer Grant, and Virginia Scholars programs) are administered

TABLE 7
STATE-FUNDED FINANCIAL AID PROGRAMS AVAILABLE IN VIRGINIA : 1985-86

NAME OF PROGRAM	FUNDS AVAILABLE	FUNDS EXPENDED	NUMBER OF AWARDS	ADMINISTERING AGENCY
DISCRETIONARY FUNDS TOTAL (6)	$14,871,600	$14,146,216	13,556	SENIOR PUBLIC INSTITUTIONS AND RICHARD BLAND
TUITION ASSISTANCE GRANT PROGRAM	13,125,000	12,738,125	13,053	COUNCIL OF HIGHER EDUCATION
UNFUNDED SCHOLARSHIPS	N/A	4,563,367	4,078	SENIOR PUBLIC INSTITUTIONS
COLLEGE SCHOLARSHIP ASSISTANCE (1)	2,802,250	2,793,658	5,980	COUNCIL OF HIGHER EDUCATION
VIRGINIA TRANSFER GRANT PROGRAM	1,055,363	577,463	680	COUNCIL OF HIGHER EDUCATION
VOCATIONAL REHABILITATION (1)	N/A	139,762	3,317	DEPARTMENT OF REHABILITATIVE SERVICES
VIRGINIA SCHOLARS PROGRAM	300,000	282,000	94	COUNCIL OF HIGHER EDUCATION
VA TEACHING SCHOLARSHIP/LOAN	274,000	274,000	137	DEPARTMENT OF EDUCATION
MEDICAL SCHOLARSHIPS	170,000	137,500	55	DEPT OF HEALTH (25 MCV; 16 UVA; 14 EVMA)
NAT L. GUARD TUITION ASST.(2)	129,000	132,859	790	DEPARTMENT OF MILITARY AFFAIRS
NURSING SCHOLARSHIP (2)	100,000	105,200	137	DEPARTMENT OF HEALTH
TRAINEESHIP FOR SPECIAL ED PERSONNEL	70,000	70,000	156	DEPARTMENT OF EDUCATION
VA WORLD WAR ORPHAN EDUCATION ACT (3)	N/A	621,160	425	DIVISION OF WAR VETERANS CLAIMS
DENTAL SCHOLARSHIPS	25,000	25,000	10	DEPARTMENT OF HEALTH AND VCU
EASTERN SHORE TUITION ASSISTANCE	25,000	14,961	17	COUNCIL OF HIGHER EDUCATION
SOIL SCIENTIST PROGRAM	11,000	11,000	5	VIRGINIA TECH
MENTAL HEALTH/RETARDATION SCHLRSHP (4)	0	0	0	DEPT OF MENTAL HEALTH AND MENTAL RETARDATION
DENTAL HYGIENIST SCHOLARSHIP (4)	0	0	0	DEPARTMENT OF HEALTH
STATE LAW ENFORCEMENT OFFICERS ED PRGM	52,076	48,097	475	DEPARTMENT OF CRIMINAL JUSTICE SERVICES
SENIOR CITIZENS TUITION WAIVER (5)	N/A	318,674	733	VARIOUS VIRGINIA INSTITUTIONS
TOTAL STATE AID		$37,019,042	43,698	

NOTE: Expenditures do not always equal funds available primarily because of the attrition late in the academic year of students holding awards.

(1) FEDERAL MATCHING FUNDS ARE EXCLUDED FROM TOTALS
(2) FUNDS EXPENDED EXCEED FUNDS AVAILABLE DUE TO CARRYOVERS FROM THE FIRST YEAR OF THE 1984-86 BIENNIUM
(3) DIVISION OF WAR VETERANS CLAIMS CERTIFIES THE STUDENTS' ELIGIBILITY;. INSTITUTIONS PROVIDE FUNDS.
(4) PROGRAM IS LISTED IN THE CODE OF VIRGINIA BUT NO FUNDS WERE APPROPRIATED
(5) ESTIMATE OF EXPENDITURES BASED ON 1983-84 PROJECTIONS
(6) INCLUDES STATE CADETSHIP FUNDS OF $330,000 FOR 1985. THE TOTAL DOES NOT INCLUDE MEDICAL, DENTAL AND SOIL SCIENTIST SCHOLARSHIPS WHICH ARE LISTED SEPARATELY.

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by the Council of Higher Education. The Council also directly administers the Eastern Shore program and approves the institutions' proposed use of funds under the Discretionary Aid Program. The institutions annually report to the Council their awards made under the Unfunded Scholarship program and periodically report the tuition waivers granted under the Senior Citizens program. This latter program is administered under regulations set by the Council.

The largest statewide non-need-based grant program is the Tuition Assistance Grant Program (TAGP). The TAGP was established by the General Assembly in 1973 to reduce the difference between the higher tuition at private colleges and the lower, state-subsidized tuition at the state-supported institutions. In 1985-86, assistance was provided to 13,053 students who received grants totaling over $12.7 million.

The College Scholarship Assistance Program (CSAP) was established by the General Assembly in 1973 to provide need-based grant assistance to undergraduate students. In 1985-86, 5,980 Virginia students at in-state public and private colleges and universities received about $2.8 million in state funds through the CSAP. (This amount does not include federal matching funds from the State Student Incentive Grant Program totaling about $1.6

million.) Awards ranged from $400 to $1,000, with the average $738.

The Virginia Transfer Grant (VTG) is a state program intended to attract "other-race" students previously attending the Virginia Community College System to Virginia's senior traditionally white and black institutions. More than $500,000 was distributed under the program in 1985-86. In 1986-87, awards were increased to cover the full tuition and required fees of the program's recipients. Currently, the program is not need-based.

The Virginia Scholars Program (VSP) was established by the General Assembly in 1984 as Virginia's first merit-based scholarship program. In 1985-86, the second year of the program, 94 full-time students received $3,000 renewable scholarships to pursue baccalaureate degrees at Virginia public or private senior institutions for a total expenditure of $282,000.

Collectively, the Discretionary Aid, Tuition Assistance Grant, Unfunded Scholarships, and College Scholarship Assistance programs provided $34.2 million of the total state aid in 1985-86. The remaining $2.8 million came from the other 16 programs. No state funds are appropriated directly for three of the programs: Unfunded Scholarships, Virginia War Orphans Education Act, and

Senior Citizens Tuition Waiver. Institutions must support the recipients under each of them from their own operating funds.

Of the $37 million in total state aid received by Virginia students in 1985-86, $15 million was awarded based on the financial need of the recipients and $21 million was disbursed as non-need-based aid. Table 8 shows the funds appropriated for the various state financial aid programs in each year of the 1986-88 biennium. The percentage distributed based on need will remain about the same (43 percent).

A PROFILE OF UNDERGRADUATE NEED-BASED AID RECIPIENTS ATTENDING VIRGINIA'S STATE-SUPPORTED INSTITUTIONS

In 1985-86, over 45,000 undergraduate students attending Virginia's state-supported institutions received need-based financial aid. A detailed profile of these students emerges from the data in Tables 9 through 11. For each characteristic of the students (e.g., sex, race, or financial dependency), the tables show the number of students in that cohort, their total estimated cost to attend the particular group of institutions, their total family contributions (the amount the students and their families could be expected to contribute to pay for their educations, calculated according to the national uniform need-analysis methodology), and the total amount of aid received (grants and

TABLE 8
STATE-FUNDED FINANCIAL AID PROGRAMS AVAILABLE IN VIRGINIA : 1986-88

NAME OF PROGRAM	APPROPRIATION LEVELS FOR YEAR: 1986-87	1987-88	ADMINISTERING AGENCY
DISCRETIONARY FUNDS TOTAL (1)	$16,258,584	$16,258,584	SENIOR PUBLIC INSTITUTIONS AND RICHARD BLAND
TUITION ASSISTANCE GRANT PROGRAM	14,373,000	15,317,000	COUNCIL OF HIGHER EDUCATION
UNFUNDED SCHOLARSHIPS (EST.)	4,600,000	4,600,000	SENIOR PUBLIC INSTITUTIONS
COLLEGE SCHOLARSHIP ASSISTANCE (2)	2,802,250	2,802,250	COUNCIL OF HIGHER EDUCATION
VIRGINIA TRANSFER GRANT PROGRAM	1,500,000	1,800,000	COUNCIL OF HIGHER EDUCATION
VOCATIONAL REHABILITATION (EST.)(2)	140,000	140,000	DEPARTMENT OF REHABILITATIVE SERVICES
VIRGINIA SCHOLARS PROGRAM	450,000	600,000	COUNCIL OF HIGHER EDUCATION
VA TEACHING SCHOLARSHIP/LOAN	440,000	675,000	DEPARTMENT OF EDUCATION
MEDICAL SCHOLARSHIPS	175,000	175,000	DEPT OF HEALTH (23 MCV; 16 UVA; 14 EVMA)
NAT'L. GUARD TUITION ASST.	129,000	149,000	DEPARTMENT OF MILITARY AFFAIRS
NURSING SCHOLARSHIP	100,000	107,500	DEPARTMENT OF HEALTH
TRAINEESHIP FOR SPECIAL ED PERSONNEL	42,770	42,750	DEPARTMENT OF EDUCATION
VA WORLD WAR ORPHAN EDUC ACT (EST.)(3)	622,000	622,000	DIVISION OF WAR VETERANS CLAIMS
DENTAL SCHOLARSHIPS	25,000	25,000	DEPARTMENT OF HEALTH AND VCU
EASTERN SHORE TUITION ASSISTANCE	25,000	25,000	COUNCIL OF HIGHER EDUCATION
SOIL SCIENTIST PROGRAM	11,000	11,000	VIRGINIA TECH
MENTAL HEALTH/RETARDATION SCHLRSHP (4)	0	0	DEPT OF MENTAL HEALTH AND MENTAL RETARDATION
DENTAL HYGIENIST SCHOLARSHIP (4)	0	0	DEPARTMENT OF HEALTH
STATE LAW ENFORCEMENT OFFICERS ED PRGM	77,050	77,050	DEPARTMENT OF CRIMINAL JUSTICE SERVICES
SENIOR CITIZENS TUITION WAIVER (5)	319,000	319,000	VARIOUS VIRGINIA INSTITUTIONS
TOTAL STATE APPROPRIATIONS	42,091,654	43,746,134	

NOTE: (EST.) indicates that program totals are estimated based on 1985-86 expenditures.

(1) INCLUDES STATE CADETSHIP FUNDS OF $330,000 FOR VMI. THE TOTAL DOES NOT INCLUDE MEDICAL, DENTAL AND SOIL SCIENTIST SCHOLARSHIPS WHICH ARE LISTED SEPARATELY.

(2) FEDERAL MATCHING FUNDS ARE EXCLUDED FROM TOTALS.

(3) DIVISION OF WAR VETERANS CLAIMS CERTIFIES THE STUDENTS ELIGIBILITY;. INSTITUTIONS PROVIDE FUNDS.

(4) PROGRAM IS LISTED IN THE CODE OF VIRGINIA BUT NO FUNDS WERE APPROPRIATED

(5) ESTIMATE OF EXPENDITURES BASED ON 1983-84 PROJECTIONS

scholarships, including all institutional, governmental, and private assistance; work; and loans). The characteristics are shown by type of institution: TBI (Traditionally Black Institutions), TWI (Traditionally White Institutions), and Two-year Institutions.

Table 9 shows the dependency of the students (that is, whether they are dependent or independent of their families for tax purposes) and the sex and race of the students. The table indicates that almost two-thirds of all recipients are dependent on their families and that female students attending the Traditionally White Institutions are the largest single group of aid recipients. Almost 15,000 of the total aid recipients are black students.

Table 10 categorizes the recipients by their full-time and part-time status. Almost 90 percent of the recipients are full-time. The two-year institutions have the largest number of part-time recipients, as might be expected given the mission of these institutions.

This table also separates the recipients according to their in-state and out-of-state status and by class level. Despite the fact that out-of-state students are eligible for all of the federal aid programs, based on financial need, over 34,000 of the

TABLE 9

PROFILE OF UNDERGRADUATE NEED-BASED AID RECIPIENTS AT VIRGINIA'S STATE-SUPPORTED INSTITUTIONS OF HIGHER EDUCATION : 1985-86

SOURCE: SCHEV S-6 REPORT

NEED-BASED AID RECIPIENTS -- FINANCIAL DEPENDENCY STATUS BY SECTOR

PAGE 1

SECTOR	DEPENDENCY STATUS	TOTAL STUDENTS	TOTAL GRANTS & SCHOLARSHIPS	TOTAL WORK-STUDY	TOTAL STUDENT LOANS	TOTAL STUDENT AID	AVERAGE AID PACKAGE
TBI-4-YR	DEPENDENT	4,761	$7,932,492	$846,524	$3,752,861	$12,531,877	$2,632
	INDEPENDENT	1,539	2,619,157	159,249	1,098,039	3,876,445	2,519
TWI-4-YR	DEPENDENT	18,583	25,613,773	4,925,655	26,154,749	56,694,177	3,051
	INDEPENDENT	5,212	9,797,637	1,376,564	8,531,088	19,705,289	3,781
TWO-YEAR	DEPENDENT	5,975	6,171,262	1,214,672	1,438,426	8,824,360	1,477
	INDEPENDENT	9,129	9,925,676	1,262,688	3,508,645	14,697,009	1,610
TOTAL ALL GROUPS		45,199	$62,059,997	$9,785,352	$44,483,808	$116,344,226	$2,574

NEED-BASED AID RECIPIENTS -- SEX BY SECTOR

SECTOR	SEX	TOTAL STUDENTS	TOTAL GRANTS & SCHOLARSHIPS	TOTAL WORK-STUDY	TOTAL STUDENT LOANS	TOTAL STUDENT AID	AVERAGE AID PACKAGE
TBI-4-YR	MALE	2,543	$4,193,302	$403,863	$2,066,017	$6,663,182	$2,620
	FEMALE	3,757	6,358,347	601,910	2,784,883	9,745,140	2,594
TWI-4-YR	MALE	10,329	16,316,936	2,377,295	15,034,528	33,728,759	3,265
	FEMALE	13,452	19,075,388	3,919,309	19,636,057	42,630,754	3,169
TWO-YEAR	MALE	5,212	5,027,844	727,751	1,899,695	7,655,290	1,469
	FEMALE	9,892	11,069,094	1,749,609	3,047,376	15,866,079	1,604
TOTAL ALL GROUPS		45,185	$62,040,911	$9,779,737	$44,468,556	$116,303,925	$2,574

NEED-BASED AID RECIPIENTS -- RACE BY SECTOR

SECTOR	RACE	TOTAL STUDENTS	TOTAL GRANTS & SCHOLARSHIPS	TOTAL WORK-STUDY	TOTAL STUDENT LOANS	TOTAL STUDENT AID	AVERAGE AID PACKAGE
TBI-4-YR	BLACK	5,987	$10,082,261	$976,477	$4,648,841	$15,707,579	$2,624
	WHITE	210	318,443	8,257	105,116	431,816	2,056
	OTHER	103	150,945	21,039	96,943	268,927	2,611
TWI-4-YR	BLACK	4,192	8,916,076	1,357,028	5,934,473	16,207,577	3,866
	WHITE	17,725	23,035,634	4,540,146	26,290,535	53,866,335	3,039
	OTHER	1,878	3,459,680	405,045	2,460,829	6,325,554	3,368
TWO-YEAR	BLACK	4,614	4,625,376	567,658	1,290,414	6,483,648	1,405
	WHITE	9,331	9,907,828	1,518,271	3,145,240	14,571,339	1,562
	OTHER	1,159	1,563,534	391,431	511,417	2,466,382	2,128
TOTAL ALL GROUPS		45,199	$62,059,997	$9,785,352	$44,483,808	$116,329,157	$2,574

TABLE 10

PROFILE OF UNDERGRADUATE NEED-BASED AID RECIPIENTS AT VIRGINIA'S STATE-SUPPORTED INSTITUTIONS OF HIGHER EDUCATION : 1985-86

SOURCE: SCHEV S-6 REPORT

NEED-BASED AID RECIPIENTS -- ENROLLMENT STATUS BY SECTOR

PAGE 2

SECTOR	ENROLLMENT	TOTAL STUDENTS	TOTAL GRANTS & SCHOLARSHIPS	TOTAL WORK-STUDY	TOTAL STUDENT LOANS	TOTAL STUDENT AID	AVERAGE AID PACKAGE
TBI-4-YR	FULL-TIME	6,183	$10,483,202	$1,002,831	$4,779,845	$16,265,878	$2,631
	PART-TIME	117	68,447	2,942	71,055	142,444	1,217
TWI-4-YR	FULL-TIME	22,942	34,912,795	6,224,347	33,705,224	74,842,366	3,262
	PART-TIME	853	498,615	77,672	980,613	1,556,900	1,825
TWO-YEAR	FULL-TIME	11,038	14,060,797	2,290,128	4,163,383	20,514,308	1,859
	PART-TIME	4,066	2,036,141	187,232	783,688	3,007,061	740
TOTAL ALL GROUPS		45,199	$62,059,997	$9,785,352	$44,483,808	$116,340,691	$2,574

NEED-BASED AID RECIPIENTS -- RESIDENCY STATUS BY SECTOR

SECTOR	RESIDENCY STATUS	TOTAL STUDENTS	TOTAL GRANTS & SCHOLARSHIPS	TOTAL WORK-STUDY	TOTAL STUDENT LOANS	TOTAL STUDENT AID	AVERAGE AID PACKAGE
TBI-4-YR	IN-STATE	4,375	$7,511,086	$473,076	$2,613,551	$10,597,713	$2,422
	OUT-OF-STATE	1,925	3,040,563	532,697	2,237,349	5,810,609	3,018
TWI-4-YR	IN-STATE	19,681	28,856,568	4,944,837	27,699,972	61,501,377	3,125
	OUT-OF-STATE	4,114	6,554,842	1,357,382	6,985,863	14,898,089	3,621
TWO-YEAR	IN-STATE	14,834	15,799,599	2,445,471	4,754,745	22,999,815	1,550
	OUT-OF-STATE	270	297,339	31,889	192,326	521,554	1,932
TOTAL ALL GROUPS		45,199	$62,059,997	$9,785,352	$44,483,808	$116,344,826	$2,574

NEED-BASED AID RECIPIENTS -- CLASS LEVEL BY SECTOR

SECTOR	LEVEL	TOTAL STUDENTS	TOTAL GRANTS & SCHOLARSHIPS	TOTAL WORK-STUDY	TOTAL STUDENT LOANS	TOTAL STUDENT AID	AVERAGE AID PACKAGE
TBI-4-YR	FRESHMAN	2,545	$4,063,809	$372,050	$2,192,565	$6,628,424	$2,604
	SOPHOMORE	1,294	2,243,057	221,425	958,318	3,422,800	2,645
	JUNIOR	1,053	1,837,523	175,949	793,576	2,807,048	2,666
	SENIOR	1,408	2,407,260	236,349	906,441	3,550,050	2,521
TWI-4-YR	FRESHMAN	6,414	9,418,008	1,109,637	8,752,119	19,279,784	3,006
	SOPHOMORE	5,571	7,996,511	1,537,665	8,183,799	17,717,975	3,180
	JUNIOR	5,551	8,258,963	1,657,612	8,429,569	18,346,144	3,305
	SENIOR	6,259	9,737,928	1,997,285	9,320,330	21,055,563	3,364
TWO-YEAR	FRESHMAN	9,954	9,354,370	985,565	2,721,373	13,061,308	1,312
	SOPHOMORE	5,148	6,741,268	1,490,304	2,225,698	10,457,270	2,031
TOTAL ALL GROUPS		45,197	$62,058,697	$9,783,861	$44,483,808	$116,326,366	$2,574

total recipients are Virginia residents. The average aid package for students in the TWI's and the Two-year Institutions increases between $700 and $800 from the freshman to senior years, but it declines slightly at the TBI's.

Table 11 provides data on the recipients by income level or that of their family, as appropriate. The table reveals that a large number of recipients (over 21,000) have incomes less than $10,000 per year. This table shows that the need-based aid available at Virginia's institutions is being targeted to the most needy students.

TABLE 11

PROFILE OF UNDERGRADUATE NEED-BASED AID RECIPIENTS AT VIRGINIA'S STATE-SUPPORTED INSTITUTIONS OF HIGHER EDUCATION : 1985-86

SOURCE: SCHEV S-6 REPORT

NEED-BASED AID RECIPIENTS -- FAMILY ADJUSTED INCOME BY SECTOR

PAGE 3

SECTOR	FAMILY INCOME	TOTAL STUDENTS	TOTAL GRANTS & SCHOLARSHIPS	TOTAL WORK-STUDY	TOTAL STUDENT LOANS	TOTAL STUDENT AID	AVERAGE AID PACKAGE
TBI-4-YR	$0-$9,999	3,312	$6,149,946	$446,033	$2,272,882	$8,868,861	$2,678
	$10-$19,999	1,667	3,044,282	313,701	1,186,628	4,544,611	2,726
	$20-$29,999	890	1,073,267	171,676	879,514	2,124,457	2,387
	$30-$39,999	338	234,372	63,263	396,559	694,194	2,054
	$40-$49,999	77	40,605	9,401	97,201	147,207	1,912
	$50,000 +	16	9,177	1,699	18,116	28,992	1,812
TWI-4-YR	$0-$9,999	8,749	14,694,621	2,120,678	12,305,948	29,121,247	3,329
	$10-$19,999	4,234	8,873,096	1,274,883	5,693,824	15,841,803	3,742
	$20-$29,999	4,362	6,777,969	1,363,906	6,878,703	15,020,578	3,444
	$30-$39,999	3,096	2,990,267	776,304	4,846,687	8,613,258	2,782
	$40-$49,999	1,852	1,274,478	425,274	2,812,432	4,512,184	2,436
	$50,000 +	1,502	800,979	341,174	2,148,243	3,290,396	2,191
TWO-YEAR	$0-$9,999	9,342	10,623,271	1,438,464	2,911,849	14,973,584	1,603
	$10-$19,999	3,892	4,066,641	585,909	1,195,626	5,848,176	1,503
	$20-$29,999	1,449	1,178,602	343,401	585,616	2,107,619	1,455
	$30-$39,999	344	198,823	95,136	195,363	489,322	1,422
	$40-$49,999	60	25,233	12,363	39,062	76,658	1,278
	$50,000 +	17	4,368	2,087	19,555	26,010	1,530
TOTAL ALL GROUPS		45,199	$62,059,997	$9,785,352	$44,483,808	$116,329,157	$2,574

CHAPTER III: EDUCATION FINANCING PLANS: A PROPOSAL FOR A VIRGINIA TUITION SAVINGS PLAN

INTRODUCTION

An increasing number of states are exploring new types of financing plans that will assist parents either to pre-pay their children's future college tuition at current prices or to accumulate funds for their higher education expenses. The federal government also has several alternatives under consideration for establishing some form of national savings plan. Parents, too, are exploring private financing options.

STATE PLANS

Tuition pre-payment plan. This plan lets the parents pre-pay tuition in advance -- at today's prices. Under this concept, the parents deposit a lump-sum with the state and the funds are invested. The interest and the principal are intended to cover four years' tuition by the start of a child's freshman year. The size of the initial deposit depends upon the child's age and the projected tuition. The younger the child, the smaller the

payment, since there is more time for the money to grow. Some states allow the child to attend a public or a private institution under the program. Still others give the child the option to use the funds at an in-state or out-of-state institution. But full tuition is not guaranteed at private or out-of-state institutions, and there can be a penalty for taking the money out-of-state.

There are several disadvantages to this plan. One is that the IRS has not sanctioned it and some tax experts think that ultimately the parents will have to pay tax on the income earned. In addition, there is the added risk of paying a substantial penalty on the money earned if the child chooses not to go to an institution covered by the plan, fails to be admitted, or leaves before obtaining a degree. In addition, as more options are available under the plan (such as allowing the funds to be used at an out-of-state institution), its attractiveness as an investment is diminished because the state must adjust the price to future enrollees in order to protect against the greater financial risk assumed by the state.

State savings bond plan. Under this plan, a portion of a state's bond sales would be structured to include bonds with maturities of 1 to 25 years. Parents could purchase the bonds and let interest accumulate to save for a child's education. Under current tax law, interest earnings would be exempt from federal

income tax. Savings could be used for attendance at any institution - public or private, in-state or out-of-state. Some states plan to make a bonus payment to a student attending an in-state college or university. There is little or no financial risk to the state under this plan. The plan does not guarantee tuition but only assists parents to save funds to pay it.

Educational IRA plan. This plan allows a family to invest a specified sum (usually up to $2,000 each year) in what one state has called a "Family Education Account." The account must be set up at a bank within the particular state. It is not subject to state taxes, but is subject to federal taxes. Penalties are assessed if the proceeds are spent for any purpose other than education or if the funds are not used within a specified time period after a child graduates from high school.

NATIONAL PLANS

National Postsecondary Education Trust. Two bills introduced in Congress would create a National Tuition Savings Plan. The plan would be administered by a National Postsecondary Education Trust, which would invest parents' contributions in United States Treasury interest-bearing obligations. Some portion of the contributions would be tax deductible. The plan would try to

achieve sufficient return to pay a child's expected tuition and fees at an institution identified for possible attendance.

United States College Bond. This program would establish a new denomination of U.S. Savings Bond, the United States College Bonds, in unspecified amounts with maturities varying at one-year intervals. Upon redemption, bond proceeds would be excludable from taxable income if used to pay postsecondary education tuition and related expenses for the taxpayer, the taxpayer's spouse, or any dependents.

Other Proposals. At least four other programs have been proposed in Congress. Each one either provides some form of tax incentive to encourage saving or establishes some form of educational savings bond program.

FAMILY OPTIONS

Treasury bonds. These taxable bonds can be purchased in the name of the child to be assisted. They pay no annual interest, sell at big discounts, and provide sizable gains at maturity. Under the tax law, only federal tax is paid on a portion of the gain each year. With careful planning, the tax paid can be minimized since the interest does not accrue equally each year. In the initial years, the parents will be paying taxes on interest income when

it is at minimum levels. As the interest accrual becomes significant, around the time the child is 14, the child will be taxed at his or her rate.

Deferred annuity. Insurance companies and others are promoting this approach as an effective savings device. With a deferred annuity set up for college expenses, interest accumulates on the money deposited initially and the payouts begin as set out in the contract. Federal and state income taxes on the earnings are deferred until payouts begin. Depending on the type of annuity and whether it is set up in the name of the parents or the child to be assisted, the disadvantages might include a penalty tax on any funds withdrawn and the surrender fees the insurance company may assess if withdrawals are made during the holding period.

Life insurance. A single premium life insurance plan enjoys favorable tax treatment and is being explored by some families as a financing alternative. As with the deferred annuity, funds are borrowed against the policy to pay for college expenses.

VIRGINIA TUITION SAVINGS PLAN

The Council of Higher Education staff recommends the savings bond approach. Although most higher education construction in

Virginia is not financed with bond revenues, there are various kinds of state bonds issued to finance capital outlays of the state. A portion of these issues might be set aside and sold to individual citizens who are saving for their children's college careers. One way in which the bonds could be sold to families and others is through an investment vehicle known as a unit investment trust.

The UIT is, in the language of investment brokers, a closed-end fund which has a set portfolio of bonds, a fixed rate of return, and a fixed length of maturity. The Commonwealth would contract with a private investment firm or firms to set up the fund. Certain bonds designated by the Commonwealth for the tuition savings program would be sold to the fund. The bonds used would be zero-coupon bonds (that is, those which yield a fixed return and pay at the time of their maturity) with a maturity of ten years or less. Shares in the UIT would be marketed to parents or other relatives and friends of children generally between the ages of seven and 17.

The shares might sell in units as low as $100 each. In this way, they easily could be given as birthday and other holiday gifts for the children they are intended to help. No later than ten years thereafter, depending on the terms of the particular issue, the share would be redeemable at its full face value.

The manager of the fund would create a secondary market in the UIT. This would allow shares to be bought back in situations in which a family finds that it must raise cash or in the event that a family, or student, determines prior to the shares' maturity that they will not be used to pay college expenses.

The UIT would not be the only investment vehicle available for families and others who wish to save money for college expenses. Parents should be encouraged to explore private investment alternatives which may offer better rates of return. In fact, the only reason to have a state-sponsored plan is to increase the number of families that save money for college expenses, regardless of the means chosen to do so. But the UIT would offer a convenient method for many families to save for such expenses and to know that their return will be tax-exempt. It might also be used to enable parents to set up payroll deduction programs with their employers.

The UIT program would be a more attractive investment, and clearly fulfill the intent of the program, if the return could be adjusted to add to the yield when the proceeds are, in fact, used for higher education expenses. Conversely, the possibility that

the return might be reduced if the proceeds are not used for higher education expenses should be explored.

A number of issues remain to be resolved before the Council staff can draft legislation to create a savings program for the Commonwealth. The staff's proposal for a Virginia Tuition Savings Program has been discussed by the Council and a few state and private officials. It now should be reviewed by the state Department of the Treasury and by a number of persons in the private sector who are knowledgeable about bonds and investments. These individuals should determine the feasibility of implementing such a plan in Virginia and suggest any alternatives that might be less expensive or easier to implement.

Specifically, the reviewers should examine

1. Total cost: What are the possible administrative costs of the program and how will these costs affect the yield on the bonds to investors? Are there hidden costs of the program either to an agency issuing bonds that have been designated for the program or to the state? Is it possible to offer a slight increase in yield when the bond proceeds are used for a child's educational expenses at a Virginia college or university and to decrease the yield if the proceeds are not used for the intended purpose?

2. Debt stream: Does the Commonwealth annually have a sufficient volume of bonds that can be designated for the program? Can the maturity dates be staggered to produce yields at various intervals (one year, five years, ten years, for instance) in order to serve families with children who are various ages?

3. Marketing: How can brokerage houses, banks, etc., best cooperate with the state to make families aware of the need to save and to provide information about the program as one means of doing so? What would be the costs of a media campaign to make families aware of the program and how would the costs be paid?

In examining possible alternative arrangements for the management of the unit trust, the review team should determine the feasibility of the State Education Assistance Authority or the Virginia Education Loan Authority assisting with the operation of the savings program. These agencies have many millions of dollars in reserve funds; some funds possibly could be used to advertise a program or even to administer it.

As an alternative to the unit trust, the reviewers also should investigate the feasibility of the VELA setting up and operating a savings program. The VELA has authority to issue bonds and potentially could issue special bonds under an

arrangement known as a Guaranteed Investment Contract (GIC). These bonds, which are taxable, would have to be backed by a general fund revenue source in order to keep the administrative costs low. This arrangement would be more complex than the unit trust. Its use would depend on the successful interaction of a number of variables, including the identification of an appropriate general fund revenue source. However, the yield to parents purchasing bonds could be greater than under the unit trust proposal.

Finally, it has been suggested to Council staff that the tuition savings program could be marketed, in part, through the public schools. The practice would be similar to the insurance options currently made available to parents through the schools. This idea should become part of the marketing strategy for the program if a savings bond program is found to be feasible in Virginia.

CHAPTER IV: IMPLEMENTING THE VIRGINIA WORK STUDY PROGRAM: PRELIMINARY PLANS

INTRODUCTION

As college costs continue to escalate, some families are having increasing difficulty securing sufficient financial assistance to pay for college. A report from the American Council of Education shows that, when adjusted for inflation, the funds available through the federal financial aid programs have been reduced in every category except loans.

Recent eligibility changes under the largest federal loan program, the Guaranteed Student Loan Program (GSLP), will bring about significant reductions in loans as well. Council of Higher Education simulations indicate that over 50 percent of the students who received GSLs in 1985-86 would have their eligibility reduced or eliminated altogether under the 1987-88 GSL eligibility criteria. Particularly hard-hit are students from families with incomes less than $24,000 per year. Over 65 percent of the 4,929

dependent students who would lose partial or total eligibility under the GSLP are in this family income category.[3]

Student loans are one source of self-help aid to pay for college costs. Work-study is the other. During 1985-86, the federal College Work-Study Program (CWSP) provided jobs nationally for 870,000 students and paid over $550 million in student wages. In Virginia, 14,334 students attending public and private non-profit institutions received $12.1 million under the program. Proprietary schools were not eligible to participate in the CWSP in 1985-86, but are now eligible under the Higher Education Act as it was reauthorized last year.

The funding for the federal College Work Study Program (CWSP) has not kept pace with the demand for work opportunities in Virginia. Between 1981-82 and 1985-86, the funding for the program at Virginia's public and private colleges increased by only $121,594. In inflation-adjusted dollars, this represents a significant reduction in funds.

Exacerbating the effect of the limited federal funding for the CWSP are mandatory increases in the federal minimum wage.

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[3]Council of Higher Education projections based on simulations using 1985-86 student data taken from SCHEV S-6 reports and State Education Assistance Authority Applicant Data Base.

Increases in wages have reduced further the number of students that can be assisted under the program.

Table 12 indicates that the reduction in the number of students assisted under the CWSP between 1981-82 and 1985-86 (233 students) was concentrated in the $0 to $23,999 family income categories. This group is comprised primarily of financially needy students who qualify as eligible applicants for need-based aid. Among many of these students, there appears to be a marked preference for work-study over loans. A 1985 Council survey of GSL recipients then in the process of repaying their loans revealed that 47 percent of the borrowers would have preferred to work more while attending college in order to have a smaller student loan debt following graduation. Half of those expressing this preference were earning under $15,000 per year.

Aware of the increasing need to provide additional work opportunities, the 1983 General Assembly established the Virginia Work-Study Program (VWSP). The program has not yet been funded.

As authorized in the Code of Virginia, the Virginia Work-Study Program (VWSP) will emphasize off-campus employment which is demonstrably related to a student's career interests or educational program. This focus was intended to ensure that the VWSP complemented the federal College Work-Study Program (CWSP).

The federal program, while allowing off-campus work, primarily is used to fill service jobs (college dining room, bookstore, etc.) on campus. Since the VWSP was authorized in 1983, Virginia has experienced a growing shortage of manpower in several critical public service areas. The shortages are now so prevalent that the Council staff proposes that the VWSP off-campus employment be refocused to emphasize public service jobs rather than jobs that are related to students' career interests or educational programs.

Traditionally, volunteerism has been a major force in the delivery of public service. Examples are teacher aides, volunteer fire and rescue squads, and citizen support of programs providing assistance to members of society who have special needs. A major source of volunteer support has come from college students. Estimates from Time magazine are that 15 to 25 percent of all college students engage regularly in some form of public service. Based on information from Virginia's financial aid officers, this estimate seems to apply in Virginia as well. For example, George Mason University reportedly helps coordinate student volunteerism through several university offices. Virginia Tech students help man local volunteer rescue squads, among other activities.

Despite the significant involvement of Virginia students in volunteer activities, the recruitment of volunteers as a whole is not keeping pace with Virginia's public service needs. In one

instance, a shortage of volunteers prompted the boards of supervisors in Patrick and Washington Counties in Southwest Virginia to pass resolutions calling upon local state legislators to introduce legislation to grant tax exemptions for persons donating their time and effort to the delivery of critical local services.

Part of the public service shortage, at least as it involves students, may be attributed to the need of students to earn money to pay for the rising costs of college attendance. Federal financial aid that has failed to keep pace with increases in student financial need also may have contributed to the shortage.

The Council staff views the proposed public service component of the VWSP as an extremely important aspect. By re-focusing the Virginia Work-Study Program on public service jobs, the program will demonstrate Virginia's commitment to public service while at the same time providing challenging jobs for needy students.

ADMINISTRATION OF THE PROGRAM

Allocation of Funds

The Council of Higher Education, the administering agency, will allocate program funds to the eligible institutions that

decide to participate in the program. The allocation formula will be set with the assistance of the institutions. Generally, the funds will be allocated based on the financial need of the student at each participating institution. The availability of jobs in the geographic area in which an institution is located will affect the level of funding provided.

The allocation formula as well as the operational aspects of the program must be established by regulations drafted by the Council of Higher Education and adopted through the state's Administrative Process Act.

Administrative Structure

The VWSP will be administered by the Council of Higher Education as a decentralized program. This will give institutions maximum flexibility in selecting participants and also will minimize administrative costs at the state level. Institutions participating in the VWSP will receive at least 6 percent of the total student wages generated off-campus to cover overhead costs for job location and development and for other administrative expenses (for instance, processing the student payroll). The administrative allowance for public service positions will be set higher, at perhaps 10 percent, in order to encourage the

development of these jobs. The Council staff suggests that no administrative allowance be provided for any on-campus jobs.

Institutions will pay out funds for student compensation according to a sliding scale. The state share of funds, up to the maximum allowed, will be determined by negotiations between institutions and employers, based on the type and the place of employment. Students in public service jobs may have a larger portion of their wages paid through state funds. (See Table 13)

The maximum state share of compensation for a student employed in public service could be as much as 70 percent of the student's gross wages, regardless of the place of employment. Students employed in public or non-profit off-campus settings, but not in public service jobs, could have up to 60 percent of their wages paid by state funds, while students involved in similar jobs with profit-making businesses could have up to 50 percent of their gross wages covered by these funds.

Proprietary schools that participate in the program will be required to place eligible students in off-campus jobs. Proprietary schools also will certify to the Council that prospective VWSP recipients will be reviewed for financial need using a uniform methodology approved by the Council of Higher Education. The Virginia Program, a non-profit job location and

off-campus placement office located at Virginia State University, can provide assistance with the development of all off-campus jobs involving proprietary schools.

SPECIAL REQUIREMENTS UNDER THE PROGRAM

The VWSP is designed to provide students significant work opportunities. Therefore, the student wage scale strongly will encourage parity with entry-level salaries for comparable full-time positions. Institutions must ensure that all participating employers are non-sectarian and non-political. Furthermore, the law provides that eligible employers must agree as part of the VWSP contract with an institution not to hire student workers to displace current workers. Employers also will certify compliance with all federal and state wage and labor laws, particularly the federal minimum wage.

Institutions participating in the VWSP will have an incentive to establish public service contractual work arrangements, because the program will pay a higher administrative allowance to cover the expenses of off-campus job development and will match a larger share of student wages for public service employment than is allowed under the federal Work-Study program.

Eligible Virginia residents will be allowed to participate in both the VWSP and the federal College-Work Study Program.

RESPONSIBILITIES OF THE COUNCIL OF HIGHER EDUCATION

The Council will be responsible for establishing and disseminating program regulations, administrative guidelines and other materials related to the administration of the VWSP. The Council also will conduct program reviews, determine institutional allocations, and maintain accurate records regarding recipients and funds disbursed to institutions.

The Council will appoint a subcommittee of financial aid officers from the Financial Aid Advisory Committee to provide advice to the Council staff on the administration of the VWSP.

WORK-STUDY IN OTHER STATES

According to the National Association of Student Employment Administrators, as states seek to provide needy students with additional financial assistance to pay for college, work programs will become an attractive alternative because of the potential benefits to the students and the state. Nineteen states have active work-study programs and at least six others, including

Virginia, have programs pending. (The status of the programs is shown in Table 14.)

Although most active or pending work-study programs are modeled after the federal College Work Study Program, states have used the opportunity to design new program initiatives and especially to emphasize private sector employment. The Kentucky Work-Study program, for instance, requires institutions to commit 70 percent of their funds to jobs in profit-making businesses.

CONCLUSION

Recent studies indicate that part-time work (up to 20 hours per week) can have a positive effect on a student's completion of a degree. Work opportunities also can heighten students' awareness of job survival skills and give them practice in resume writing, interview techniques, job responsibilities, performance evaluation, and setting wage rates. Such exposure facilitates transition to the permanent work force.

The Virginia Work-Study Program provides a unique opportunity for generating needed student financial aid while establishing a cooperative relationship between higher education and those agencies and organizations that help to meet the special needs of society. Moreover, the program, unlike other types of student

aid, offers an opportunity to leverage the state funds provided to it. For example, an appropriation of $2 million will produce total revenues of approximately $3.3 million and assist between 1,000 and 1,100 students each semester.

TABLE 12

EFFECTS OF LEVEL FUNDING ON THE FEDERAL COLLEGE WORK-STUDY PROGRAM
1981-82 TO 1985-86

FAMILY INCOME IN DOLLARS	NUMBER OF RECIPIENTS 1981-82	1985-86	CHANGE	TOTAL DOLLARS AWARDED 1981-82	1985-86	CHANGE	AVERAGE INDIVIDUAL AWARD [1] 1981-82	1985-86	CHANGE
Dependent Undergraduates									
$0-5,999	1,385	1,284	(101)	$1,174,185	$1,052,292	($121,893)	$848	$820	($28)
$6,000-11,999	1972	1,626	(346)	1,656,745	1,364,496	(292,249)	840	839	(1)
$12,000-17,999	2332	1,938	(394)	1,890,870	1,604,610	(286,260)	811	828	17
$18,000-23,999	2130	1,930	(220)	1,647,200	1,555,230	(91,970)	766	806	40
$24,000-29,999	1,372	1,744	172	1,155,525	1,379,789	224,264	735	791	56
OVER $30,000	1,582	2,292	710	1,086,633	1,734,070	647,417	687	757	70
Independent & Graduate students	3574	3,520	(54)	3,341,406	3,383,690	42,284	935	961	26
TOTAL	14,567	14,334	(233)	$11,952,583	$12,074,177	$121,594	$803	$829	$26

[1] Federal increases in the minimum wage are largely responsible for average award increases. SOURCE: FISAP Report

TABLE 13

MAXIMUM ALLOWABLE STATE SHARE OF STUDENT WAGES BY EMPLOYER TYPE

STATE SHARE OF EARNED WAGES:	PUBLIC SERVICE EMPLOYMENT	ON-CAMPUS PLACEMENT	OFF-CAMPUS PLACEMENT	TYPE@ OF ORGANIZATION
50%	N/A	YES	N/A	NP
50%	N/A	N/A	YES	PM
60%*	N/A	N/A	YES	NP
70%	YES	YES	N/A	NP
70%	YES	N/A	YES	NP

* EMPLOYMENT WITH PUBLIC OR PRIVATE NON-PROFIT ORGANIZATION

@ NP (PUBLIC OR PRIVATE NON-PROFIT) PM (PROFITMAKING)

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TABLE 14

STATUS OF STATE SUPPORTED
WORK-STUDY PROGRAMS IN THE U.S.

STATES WITH OPERATING WORK-STUDY PROGRAMS	STATES THAT HAVE PASSED WORK-STUDY LEGISLATION	STATES PLANNING TO IMPLEMENT WORK-STUDY PROGRAMS
CALIFORNIA	DELAWARE	ALASKA
COLORADO	NEBRASKA	ARIZONA
CONNECTICUT	NEW JERSEY	OHIO
FLORIDA	NORTH DAKOTA	OKLAHOMA
INDIANA	OREGON	TEXAS
IOWA	VIRGINIA	UTAH
KANSAS		
KENTUCKY		
MASSACHUSETTS		
MICHIGAN		
MINNESOTA		
MONTANA		
NEW MEXICO		
NEW YORK		
NORTH CAROLINA		
PENNSYLVANIA		
RHODE ISLAND		
VERMONT		
WASHINGTON		

INFORMATION PROVIDED BY THE COLLEGE SCHOLARSHIP SERVICE BASED ON STATE REPORTS

27-Oct-87

CHAPTER V: CONTAINING HIGHER EDUCATION COSTS AND PRICES

INTRODUCTION

There is a distinction between the price and the cost of higher education. Often the two terms are used interchangeably. Price refers to what the consumer is charged for education. Cost refers to what an institution spent to provide the education. The price is almost always less than the cost because of the subsidy that is provided on behalf of the consumer. The subsidy may be in the form of a state appropriation or grant to the institution for each full-time-equivalent student in attendance or it may be funds generated by an institution's endowment or made available from some other source that effectively reduces the price to the student.

Higher education price increases continue to be greater than the rise in inflation. But there is a great deal of confusion about what the price is and what citizens think they actually have to pay. The September 2, 1987 issue of the Chronicle of Higher Education carried an article (page 1) indicating that participants in a recent survey estimated the average price of a year of college (including tuition and fees, room and board, books and supplies,

transportation, and personal expenses) to be $13,400 at a private institution, $9,120 at a four-year public institution, and $4,500 at a two-year public institution. The actual prices, respectively, were $11,982, $5,789, and $3,889. Obviously, the survey respondents thought that prices in all three sectors were significantly higher than they were.

Despite widespread confusion about actual prices, the fact that they continue to rise faster than inflation concerns all states and institutions. It is little comfort to know that the rate of the increase in tuition and fees actually has fallen from a high in 1982-83 of 20 percent for public institutions and 13 percent for private colleges and universities.

Nationally, average tuition and required fees this fall are estimated at $7,110 for four-year private institutions and $1,359 for four-year public institutions. The average for two-year public colleges is $687.

This year's charges represent increases from 1986-87 of 8 percent at four-year private institutions, 6 percent at four-year public institutions, and 5 percent at two-year publics. Although the percentage increase for four-year public institutions is down by one-third compared to the price rise between 1985-86 and 1986-87, the increases for all three groups still exceed the

Consumer price Index increase, projected at about 4 percent for 1987.

Virginia historically has been a high-tuition and fee state, especially for its public institutions. Among the southern states that are members of the Southern Regional Education Board, only Maryland's public institutions sometimes have tuition and required fee charges that exceed the prices of Virginia's state-supported colleges and universities. For 1987-88, the tuition and required fees for Virginia residents attending the public four-year institutions range from $1,370 to $3,530. The price for the two-year institutions is $763 in the community colleges and $1,260 at Richard Bland College, a two-year branch of the College of William and Mary. Tuition and mandatory fees among Virginia's private colleges and universities in 1987-88 vary from $2,760 to $11,500, with most institutions in the $5,000 - $8,000 range.

REASONS FOR PRICE INCREASES

This year's national increases in tuition and fees are the lowest for both the public and private sectors (6 percent and 8 percent, respectively) since 1978-79. But these averages obscure the different circumstances across the country which resulted in tuition increases - or in no increases at all.

The fiscal environments among the states vary greatly. Some states, such as the oil-producing state of Texas, historically have had very low tuitions. But the situation in Texas recently changed dramatically with a substantial tuition rise brought about by the low price of oil. Other states not experiencing fiscal problems, such as Minnesota, have decided that the primary beneficiaries of education - the students - should pay more. They have raised tuition along with increasing the financial aid available for needy students. In still other states (New York is a good example) the political climate is such that apparently any proposed tuition increase would quickly be defeated. Several states (including Virginia) have adopted indexing plans which automatically increase tuition as state support to their institutions increases.

There are at least five reasons for the continuing, significant increase in the price of higher education:

Adjusting to Prior Inflationary Increases in Goods and Services

In the late 1970's and early 1980's, most colleges and universities were hard hit by inflation, especially in energy costs. Although funding increased in many states, and tuitions certainly went up, the increases generally did not keep pace with the inflation rate. As a result, institutions were unable to

increase faculty salaries to keep up with the cost of living, to perform maintenance on their buildings, and to update their research facilities. Over the past five years or so, institutions have been playing "catch-up" in all three areas.

Raising Faculty Salaries to Improve or Maintain Excellence

Although some faculty salary increases have been intended solely as inflationary adjustments, others have been aimed toward raising the overall level of faculty salaries as compared with other professional groups. The objective, of course, is to have faculty who are better paid and who will continue to be attracted to teaching and research instead of the private sector.

There is increasing competition, among institutions but particularly with business and industry, for faculty in certain disciplines. To keep those faculty, the institutions have had not only to try to replace some of the buying power the faculty lost to inflation, but also to raise salary averages rather dramatically in some disciplines. In Virginia, faculty in the public institutions received salary increases averaging about 40 percent over the last four years.

Increasing Student Aid

Because federal student aid funds have increased only slightly over the past seven years, and new Guaranteed Student Loan awards have dropped precipitously, states and individual institutions have found it necessary to assume more responsibility for providing student financial aid. Some institutions have increased tuition for all students in order to have more aid available for needy students. This practice is prevalent among private institutions; some public institutions have done it, too. Beyond this, Virginia has increased the funds provided for need-based aid by 108 percent over the past four years alone, and other states have done about the same.

Paying for Services Not Directly Related to the Cost of Education

As colleges and universities compete with one another for students, they have come to offer an increasing array of services and entertainments. Students and their parents appear to want these services and entertainments - or at least to be willing to pay for them. Health fees, athletic fees (whether or not a student plans to attend a football or a basketball game), activities' fees, and debt service fees are all tacked onto tuition to make up the bill that must be paid. A recent Council of Higher Education study determined that the price of tuition over a

ten-year period from 1975 to 1985 has risen at about the rate of inflation while required fees have grown far more dramatically - as much as 1,000 percent in some instances.

State Policies Concerning Tuition

The economic and philosophic differences among states are nowhere more apparent than in the tuition-setting process. Some states actually set tuitions for each of their public institutions. The tuitions, in some instances, are even differentiated between undergraduate and graduate students, in-state and out-of-state students, etc. Other states provide each of their institutions an appropriation for operating expenses and then leave it to an institution to decide how much other revenue needs to be raised. Quite often, states that have a governing board for all of the public institutions within the state appropriate a single amount of money to the board for distribution to the individual institutions.

Many states, including Virginia, have revenue formulas that require institutions to raise the tuition as the state appropriation per full-time-equivalent student increases. Consequently, in Virginia, for every $6.50 that the state provides in tax dollars for educational and general purposes, a senior public institution must raise, on the average, $3.50 in tuition.

(The institutional share does vary by institution; two-year institutions have to raise only about $2.30 for every $7.70 provided by the state.) So under this arrangement, as a state increases its funding for higher education, a student automatically pays higher tuition.

There is much to commend this system. It is a pricing policy that derives from common agreement that both society and the individual benefit from higher education, and should share in paying for it. But the important points are these: tuition increases are tied to appropriations increases, not to the consumer price index; and increasing tuition is a sign of increasing state support for higher education, not price-gouging or abdication of responsibility by the states.

The indexing arrangement used in Virginia is one of three indexing or benchmark approaches followed by southern states, according to a recent report from the Southern Regional Education Board. All three approaches share the idea that tuition and fees should be determined in relation to some other indicator. Virginia's approach results in tuition being set as a proportion

of the cost of providing educational programs. The other two approaches are the following[4]:

- Tuition is set in relation to an external yardstick, such as the Consumer Price Index (CPI) or per capita personal income.

- Tuition is set in relation to a group of peer institutions.

The establishment of formal tuition policies is relatively new among southern states. According to the SREB, in 1980 two-thirds of the states nationwide and three-fourths of the SREB states determined tuition in the historic pattern: tuition was set to generate all or most of "the difference between what the institutions believed they needed and what state government appropriated. Now, half of the SREB states (Arkansas, Georgia, Kentucky, Louisiana, Oklahoma, South Carolina, Tennessee, and Virginia) have established and implemented formal policies or mechanisms to determine tuition and fees."[5]

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[4] "Tuition and Fees in the SREB States: Trends and Issues," Southern Regional Education Board, 1987, p. 13.

[5] Ibid.

THE RELATIONSHIP BETWEEN HIGHER EDUCATION PRICES AND FINANCIAL AID

Contrary to some predictions, the rising price of higher education has not resulted in a decline in student enrollments. As a group, enrollments in the Commonwealth's institutions are up again this fall. Several Virginia institutions consistently reject five out of six students who apply, and there is no reason to think that this situation will change in the foreseeable future.

To meet the rising prices, students and their parents in Virginia seem to be using more of their discretionary income for higher education and to be taking loans to make up the difference between available resources and the price of higher education. No one is certain how many more discretionary dollars families can allocate to higher education.

The recent study from the SREB indicates that nationally students' ability to pay for higher education, as measured by per capita disposable personal income (after tax income), has more than kept pace with increases in tuition and fees. According to the SREB, "It took virtually the same percentage (13 percent) of per capita disposable personal income to pay tuition and fees at

public institutions in 1985 as it did in 1965."[6] In the SREB states, however, the amount of disposable income required at public doctoral institutions is 12 percent, with a range from 7 percent in Florida to 20 percent in Mississippi. Virginia's average is the third highest, at about 17 percent.[7]

The national decline in the participation rate of black and Hispanic students in higher education may mean that a real or perceived lack of funds is a barrier to their attendance. If actions are not taken to reverse the enrollment trend, the nation faces the possibility of having generations of uneducated or under-educated black and Hispanic adults.

SOME FUTURE DIRECTIONS FOR CONSIDERATION

There is a direct relationship between state-supported higher education financing and financial aid policies. Financing policies can result in increasing the funding base for higher education (that is, the amount appropriated per full-time equivalent student - the largest aid program of all) or holding constant (occasionally even reducing) the prices that students are charged. When either occurs, the need for additional financial

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[6] Ibid., p. 8.

[7] Ibid.

aid should stabilize or decline, at least given the same mix of students. The converse also would be true.

In order to control the rising price increases in Virginia, the Commonwealth could, first, develop additional ways to provide funding that do not lead to automatic tuition increases. Some off-budget approaches already have been adopted during the past several years. The Funds for Excellence Program, for example, has encouraged institutions to try new educational approaches, particularly curricular revisions, without mandating tuition increases as a result of the new state money provided. The Higher Education Equipment Trust Fund, the nation's first debt-financed, self-perpetuating equipment trust fund, helps the state-supported institutions to acquire instructional and research equipment on a regular basis without increasing tuition. This approach continues to be unique among the states.

Second, the institutions could disaggregate their required fees so that students and their parents have a choice in deciding what services, activities and entertainments they will pay for. Some institutions will say they would not be able to offer the services at all if they did not have a captive market. But this may be a good sign that the services should not be offered. At least the fees could be disaggregated so the consumer can have the benefits of "truth in pricing."

Third, because personnel costs are about 80 percent of the budgets of colleges and universities, neither the cost nor the price of higher education will be contained unless wages, salaries and fringe benefits also can be controlled. One way to do this is to increase faculty productivity by using electronic technology to increase the numbers of students in classes where the primary objective is the transfer of information from one person to others.

Finally, all of Virginia higher education and government has had great success over the years keeping attention focused entirely on the question "How much should the student be expected to pay?" The other question, "How much should a good undergraduate education cost?", is almost never raised. This question should be considered as Virginia shapes its finance and financial aid strategies for the future.